

Carpetright Limited
Company No: 02294875

The Companies (Miscellaneous Reporting) Regulations 2018 require Carpetright Limited to publish a statement explaining how the Directors have given due regard for the matters set out in section 172 (1) of the Companies Act 2006, a copy of the statement is below.

Statement by the Directors on performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors consider that they have acted in ways that they believe in good faith to be the most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the matters set out in s.172(1) of the Act) in the decisions they made during the period ended 31 October 2020.

A number of significant decisions were made in the period, notably the investigation as to solutions to deliver the long-term funding required by the Group and its belief that the offer from Meditor was the only viable route to deliver its requirements for a deliverable, controllable solution to those requirements required to make Carpetright a sustainable business. This culminated in the recommendation by the Directors as to the acquisition by Meditor in late 2019, which completed in January 2020. Meditor has since made further funding available to the Group, both through capital and debt. In making the recommendation, the Directors were cognisant of the need to act fairly and took advice as to the financial terms of the takeover proposal which helped ensure that the proposal was properly considered, and the duty was discharged appropriately.

It has in the period, further, strengthened its financial position, thereby promoting the long-term success of the business through the sale and leaseback of a number of freehold and long-leasehold properties, with flexible terms to allow Carpetright to terminate the leases where it considers it appropriate to do so.

The promotion of the long-term success and improvement in the financial stability of the business has the effect of ensuring that it has been able to continue to trade and pay its suppliers, continues to employ a significant number of people throughout the UK and Europe and ensures continuity of the provision of introduction of customers to approximately 1,100 flooring installation businesses.

The needs of the customers are paramount as, without customers, the business would not exist. Against the backdrop of the COVID-19 pandemic, Carpetright has developed a range of digital services to maintain its service proposition. These include Virtual and Video consultations which enable the business to discuss our customers flooring needs, demonstrate relevant products and process orders. Carpetright has developed this proposition further with the recent launch of 'Goinstore'.

The Group continues to take customer service very seriously. Building on the learnings from its 'in-store experience' training programme Carpetright has refined its Customer Journey to enable the business to share the benefits with all customer facing colleagues to develop the quality of each customer interaction. Recognising the importance of extending this across all customer touchpoints with the business and to broaden the ability for customers to choose how they want to shop with the business, Carpetright is launching a transformational programme of activity to develop its 'in-home' experience. This improved service will enable customers to select products from physical samples, utilise digital technologies such as our flooring visualiser and complete their order from the comfort of their own home.

The Directors acknowledge that, in addition to the customers, it needs to foster business relationships with suppliers and others. The key suppliers to the Group are merchandise suppliers, landlords and other relationships include approximately 1,100 flooring installation businesses in the UK and 300 in the Netherlands and Belgium that rely on Carpetright's customers for their business. To keep in line with the market, Carpetright has made one key decision to change the rates with the fitters in order to reflect the current market circumstances, as it continues to maintain good relationships with those suppliers through regular dialogue. In the light of the lockdown-imposed consequent upon Coronavirus, and the restrictions on trading, Carpetright has sought to find a fair system such that the burden of the fixed rental cost is shared between landlords and the Company. A significant number of deals have been struck to share this burden equitably, and discussions remain ongoing with other landlords with a view to reaching agreement. The Directors acknowledge that reaching agreement with all landlords on same the basis as it has done so with a significant proportion of landlords will be in everyone's interests and will reflect a fair outcome both between landlords and with Carpetright.

Environmental Matters

The Group has continued to progress with our strategy of building a sustainable business committed to taking steps to control and minimise any damage our operations may cause to the environment through manufacturing processes, transport, energy usage and packaging. In particular, we are aware of the issue of climate change, and we are taking steps to understand and minimise our carbon emissions.

We recognise that the benefits through reduced cost and the environment benefits by reducing our consumption of energy and water. The release of greenhouse gases, notably carbon dioxide generated by burning fossil fuels, has an impact on climate change, which presents a risk to both our business and the wider environment. To substantially reduce the carbon emission, we have started a trial with the use of an electric truck.

We accept our responsibility to continually improve our environmental performance. We continue to benefit from the introduction of Automatic Meter Readers for electricity and gas, we have introduced automated time clocks in 10 stores to regulate the heating, which enable us to identify high-use locations and take corrective action where necessary, together with proactive management preventing us from heating stores overnight.

During the financial period we were able to reduce our electricity consumption further by introducing LED lighting into eight newly refurbished stores and installed motion-sensor technology into eight fully refurbished stores plus 41 partial refurbished stores, to ensure lights are only being used when necessary.

We have an Ethical and Environmental Code of Conduct (the Code) to ensure that we have an ethical supply chain and require our suppliers to sign up to the Code. The Code prohibits, for example, animal testing, the use of timber from non-sustainable sources and the use of certain chemicals which may be harmful to customers.

Employees

Clearly critical to our ability to operate, our workforce is comprised of over 2,400 employees (we call them colleagues) across the Group. Our colleagues bring a wide variety of skills and experience, some of which are specialist and relatively niche. That said, in the most voluminous of our store-based roles, there is no specific requirement of prior skills and experience. We have a comprehensive training programme in place and can recruit from a wide labour pool. We have begun research to pinpoint the personal attributes that bring us greater predictability of future performance but do not believe this will reduce our potential labour pool; rather it will assist us in quickly filtering for candidates that are likely to perform well once recruited.

As the consumer shopping landscape around us becomes ever more omnichannel, we are conscious that we must continue to bolster our workforce with colleagues who have skills and agility in the digital arena.

Attracting and retaining great colleagues is pivotal to the Group's future and we have invested heavily over the past year to lay the foundations for upcoming work in this area. It will be critical to our future that we are viewed by potential employees as an Employer of Choice. We now have multi-generations in the labour pool and must ensure we can appeal to potential employees across the generations if we are to be able to continue to meet our future workforce needs. We will continue to work in this area uncovering what appeals to potential employees and how, as an employer, we can show that we can meet those desires.

Further work to bridge skills gaps has been started this year with Apprenticeships for our internal pipeline to Store Manager roles. In addition, we have made significant headway with the work for our new training approach, the Retail Academy.

To support our approach to colleague wellbeing, we have focussed on leveraging our partnership with Retail Trust, a charitable organisation who provide colleagues with access to emotional, physical and financial wellbeing resources. In addition, they also provide colleagues with access to counselling services and financial support where appropriate. Our Wellbeing community, accessed through our Fuse platform, serves colleagues with regular and tailored wellbeing content. The importance of this has been particularly heightened during the COVID-19 pandemic.

The Directors took the decision to access the furlough arrangements from the government in the UK through the Coronavirus Job Retention Scheme, in the Republic of Ireland, Jersey and Guernsey through the relevant COVID-19 Wage Subsidy Schemes. In Ireland we benefited from the Pandemic Unemployment Payment (PUPS) as well as the national employment office supplement scheme in Belgium. This ensured that a significant number of individuals would be able to return to work, rather than lose their jobs through redundancy.

The s172(1) statement was approved by the Board of Directors and signed on behalf of the Board.



.....
Patrick Stirling-Howe
Director
18 March 2022